



December 15, 2008

## **AGENDA ITEM 9**

### **TO: MEMBERS OF THE INVESTMENT POLICY SUBCOMMITTEE**

- I. SUBJECT:** Policy Review and Consolidation Project – Revision of Shareowner Activities Policies
- II. PROGRAM:** Total Fund
- III. RECOMMENDATION:** Recommend to the Investment Committee
  - a. Approval of the revised Statement of Investment Policy on Corporate Governance Director Nominations
  - b. Approval of the revised Statement of Investment Policy on the Representation on Corporate Boards of Directors
  - c. Approval of the revised Statement of Investment Policy on the Economically Targeted Investment (ETI) Program

### **IV. ANALYSIS:**

#### **Background**

The objectives of the Policy Review Project are (1) to organize and streamline Investment Policy to improve access, clarity and transparency, (2) to provide a consistent Investment Policy framework, and (3) to ensure that the policies will facilitate the on-going CalPERS compliance program.

On June 18, 2007, Investment Office staff presented to the Investment Committee the building blocks for the project. This included the revised policy template, which is designed to provide consistency across policies, and the new

Table of Contents (Attachment 1), which is designed to reflect a top-down and cross-asset class organizational approach. Finally, to facilitate the top-down approach, staff presented and the Committee approved a new overarching Statement of Investment Policy for the Total Fund.

The Policy Review Project entails a detailed review of each policy with the goal of updating and streamlining the policy, as well as potential consolidation with other related policies. In addition to these goals, the review and revisions include the following:

- Removal of delegations from policy. During the Delegations Project, staff reviewed all policies, minutes, and delegations to identify and consolidate delegations. Delegations are now located in consolidated documents.
- Removal of operational and procedural language, which is now located in staff internal procedure manuals.
- Conformance to the new template.

The review is a joint effort and includes input from the Committee's General Pension Consultant, Wilshire Associates, the CalPERS Legal Office, and the Enterprise Office of Compliance.

The policies are being brought forward to the Policy Subcommittee on a phased basis. To date, the Policy Subcommittee has reviewed and approved revisions to the following policy categories: Total Fund Statement of Investment Policy, Alternative Investments, Asset Allocation, Fixed Income, Global Equity, Investment and Risk Management, and Operations. The policies being presented in this item are part of the Shareowner Activities policies.

Clean and blacklined versions are provided for each policy. As a general rule, the revised policies have not been changed substantively. Substantive changes that were deemed necessary at this time have been highlighted for the Subcommittee's convenience.

a. Revision of Corporate Governance Director Nominations

The policy was edited for clarity and to conform to the new template. Specifically, staff has revised the definition for director nominations to explain that we nominate directors to Boards of publicly traded corporations.

b. Revision of Representation on Corporate Board of Directors

No substantive changes were made. However, the policy was edited for clarity and to conform to the new template.

c. Revision of Economically Targeted Investment (ETI) Program

A past revision merged the former ETI Program Policy with the California Emerging Markets Policy to consolidate the two policies. Because California Emerging Markets are a specific type of ETI, this consolidation created a duplication of language.

With this policy revision, staff removed the duplicative language and streamlined the policy to more effectively define ETI and California Emerging Markets. The policy was also edited for clarity and to conform to the new template.

Staff recommends approval of the following revised policies: Corporate Governance Director Nominations (Attachment 2), Representation on Corporate Boards of Directors (Attachment 3) and, Economically Targeted Investment Program (Attachment 4). Wilshire's opinion letter for all policies presented in this item is included as Attachment 5.

The following Shareowner Activities policies were recently approved by the Policy Subcommittee. These policies are not being presented for Subcommittee action.

Policy Name	Approval Date
Global Proxy Voting	April 21, 2008
Global Principles of Accountable Corporate Governance	August 18, 2008

**V. STRATEGIC PLAN:**

This item is consistent with the Strategic Plan: Goal VIII, manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first to pay benefits and second to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

There are no material costs associated with this agenda item.

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